



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ELLIOTT COUNTY CLERK**

Calendar Year 2000

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
ELLIOT COUNTY CLERK

Calendar Year 2000

The Elliott County Clerk was issued an unqualified opinion. However, the audit did reveal the following report comments.

- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Prepare Her Quarterly Report Accurately
- The County Clerk Did Not Keep All Invoices To Support Disbursements

Financial Condition:

The Elliott County Clerk collected \$638,558 in fees and commissions. She distributed appropriate amounts to the taxing districts as required. After deducting distributions to taxing districts and operating expenses, the Clerk had \$1,257 of excess fees remaining to pay the fiscal court.

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EDWARD B. HATCHETT, JR.
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To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Reeda Ison, Elliott County Clerk
Members of the Elliott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Elliott County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
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Based on the results of our audit, we have presented comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Prepare Her Quarterly Report Accurately
- The County Clerk Did Not Keep All Invoices To Support Disbursements

In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2001

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 113,413

Usage Tax 181,316

Tangible Personal Property Tax 261,714

Licenses-

Marriage 2,001

Deed Transfer Tax 3,671

Delinquent Tax 32,396 \$ 594,511

Fees Collected for Services:

Recordings-

Deeds, Easements and Contracts \$ 4,669

Real Estate Mortgages 4,339

Chattel Mortgages and Financing Statements 21,454

Powers of Attorney 249

All Other Recordings 6,524

Charges for Other Services-

Copywork 1,786 39,021

Other:

Reimbursement due from Fee 2001- License Taxes \$ 1,422

Miscellaneous 3,649

Over and Short (45) 5,026

Gross Receipts \$ 638,558

ELLIOTT COUNTY
 REEDA ISON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	83,578	
Usage Tax		172,739	
Tangible Personal Property Tax		84,292	
Licenses, Taxes, and Fees-			
Delinquent Tax		3,478	
Payable Due State for Delinquent Taxes		81	
Legal Process Tax		5,735	
			\$ 349,903

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	58,383	
Delinquent Tax		5,284	
Payable Due County for Delinquent Taxes		83	
Deed Transfer Tax		3,503	
			67,253

Payments to Other Districts:

Tangible Personal Property Tax	\$	108,562	
Delinquent Tax		12,526	
Payable Due Districts for Delinquent Taxes		337	
			121,425

Payments to Sheriff			2,160
Payable Due Sheriff for Delinquent Taxes			55

Payments to County Attorney			4,342
Payable Due County Attorney for Delinquent Taxes			102

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	13,864	
Part-Time Salaries		4,766	
Employee Benefits-			
Employer's Paid Health Insurance		5,830	

ELLIOTT COUNTY
 REEDA ISON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Contracted Services-			
Bookkeeping	\$	1,850	
Printing and Binding		1,253	
Supplies and Materials-			
Office Supplies		1,511	
Clerk's Reimbursements-			
Supplies		86	
Training		110	
Conventions		87	
Other Charges-			
Conventions and Travel		1,088	
Bank Charges		1,612	
Postage		1,679	
Reimbursements for Overpayments & Returns		388	
Miscellaneous		10	
		<u>10</u>	<u>\$ 34,134</u>
Total Disbursements			<u>\$ 579,374</u>
Net Receipts			\$ 59,184
Less: Clerk's Salary			<u>52,246</u>
Excess Fees			\$ 6,938
Less: Expense Allowance	\$	3,600	
Clerk's Incentive Pay		<u>2,081</u>	<u>5,681</u>
Balance Due County At Completion of Audit			<u>\$ 1,257</u>

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT
Calendar Year 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000 the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

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COMMENTS AND RECOMMENDATIONS

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

1) The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

The County Clerk did not present her annual settlement to the fiscal court. KRS 64.152 requires the county clerk to settle excess fees with the fiscal court by March 15th of each year. We recommend the County Clerk present her annual settlement to the fiscal court and pay excess fees by March 15th.

County Clerk's Response:

We had the report done and secretary of Judge Executive office said we had them done wrong. She reworked the report charged \$880 and she was wrong, which put us late.

2) The County Clerk Did Not Prepare Her Quarterly Report Accurately

The County Clerk did not prepare her quarterly report accurately. The fourth quarter report was not mathematically accurate. Furthermore, the corrected total for receipts was less than the disbursements reported. This would normally indicate a deficit in her fee account, but this was not the case. Also, her annual financial statement showed the same problem having the receipts less than disbursements by \$5,922. During our audit, we discovered the Clerk had not posted all receipts to her ledgers. Correcting these errors eliminated our concerns that the Clerk might have a deficit. The Clerk should review her quarterly report and annual statement more thoroughly. If receipts are less than disbursements, she should review her bank statements and quarterly report in order to determine if a deficit exists. We recommend that the Clerk record and report receipts and disbursements accurately.

County Clerk's Response:

We will in the future try to have records in order.

3) The County Clerk Did Not Keep All Invoices To Support Disbursements

The County Clerk did not keep all invoices to support disbursements. The Clerk should maintain documentation for all expenditures. In accordance with Funk vs. Milliken, documentation is necessary in order for disbursements to be allowable expenditures. Disbursements not supported by invoices may be disallowed and are subject to be repaid to the fee account from Clerk's personal funds. We recommend that the Clerk keep all invoices on file and that they be available to auditors for inspection.

County Clerk's Response:

Invoices were found after the auditors left.

Auditor's Reply:

No additional invoices were presented to us to document that all invoices were on hand.

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
Calendar Year 2000
(Continued)

PRIOR YEAR:

The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Elliott County Clerk as of December 31, 2000, and have issued our report thereon dated July 10, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Elliott County Clerk's financial statement as of December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Prepare Her Quarterly Report Accurately
- The County Clerk Did Not Keep All Invoices To Support Disbursements

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elliott County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 10, 2001

